



Strategy for Game Incubation Development

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This document is output 3.2 of the Interreg BSR project “Baltic Game Industry”. It gives an introduction into game incubation and to some of the topics that are often closely related: game education, game investments, and the rationale behind providing public funds to develop and run game incubators.

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About this Document

The purpose of this document, written as part of the Interreg Baltic Sea Region project '*Baltic Game Industry – Empowering a booster for regional development*' is to give an introduction into game incubation and to some of the topics that are often closely related: game education, game investments, and the rationale behind providing public funds to develop and run game incubators.

The document is mainly thought of as a guideline for institutions that are considering or have already taken the first steps towards setting up a game incubator. In this relation the document will provide topics to consider when in the development phase, including suggestions for how to finance a game incubator, how to structure a game incubation programme, and what kind of staff a game incubator should have in order to be able to provide qualified mentoring and coaching.

Aiming at providing insights, examples and inspiration derived from the author's experiences with building a game incubator in a remote part of Denmark from scratch rather than from desk research, this document should in other words not be considered or treated as a fixed recipe for game incubation that fits one for all. Numerous factors – e.g. funding, location, access to talented start-ups & to mentors/coaches – play important roles when designing a game incubation programmes and as the examples of some of the major game incubators in Europe that are mentioned in the document show, game incubators come in different shapes and sizes – or more specifically with different durations and models for financing.

1. Game Education

In Northern and Central Europe (Denmark, Iceland, Sweden, Norway, Finland, Estonia) there are more than 100 programmes that focus or emphasise games in higher education. In addition to these, about 40 programmes offer the option for students to enrol in game-related elective courses. Students in the region have the opportunity of specialising in a number of different fields such as level design, game programming, game writing, game animation, game design, 3D game art, digital art, sound design and production, game quality assurance (QA) and business analytics.

The various game programmes and game-related studies are available at different levels of the educational systems. In vocational training programmes, the emphasis is on practical skills, while higher educations at Bachelor and Master level programs tend to focus on the theoretical aspects of game development in e.g. the fields of computer science and game design. Some of the lower-level institutions such as upper secondary and vocational schools allow for very young students to start specialising at a quite early age; for graduates from vocational programmes this often leads to an early start in the industry, while those who attended upper secondary schools with game-related tracks often continue in the educational system, seeking a higher level education specialising in game development.

The vocational programmes can take place at post-primary, post-secondary, training and higher educations, and are often tied to singular skills such as animation, programming, audio production etc. An example of a higher vocational programme focusing on game development is The Game Assembly in Malmö in Sweden that offers 5 programmes that train students for specific roles in a game production (game animator, technical artist, level designer, game programmer and graphic artist). Finland is the country in Northern Europe with the largest number of vocational colleges at upper secondary level that prepare their students for an early entry into the country's large game industry.

Several gymnasiums at upper secondary level in e.g. Denmark incorporate either game development or e-sport in their curriculum. These schools strive to include e.g. game analysis, mechanics-dynamics-aesthetics (MDA), game physics and so forth in the mandatory courses, and introduce both projects and practical skills such as programming and design in elective courses. As previously mentioned, most of the students finishing the upper secondary level will continue on to either a university or other higher educational institution.

Programmes from more academic institutions such as universities with game-focused programmes at bachelor (3 years) and/or master level (5+ years) are more geared towards scientific research and development, where the students produce reports, papers and theses, while the acquisition of practical skills are more up to the individual student. Many universities include game projects where game production is imitated. Universities with multiple game-focused programmes such as the Swedish and Finnish universities strive to have students from the various programmes working together in order to imitate the interdisciplinary setting of the industry.

Under different names such as polytechnic, University of Applied Science, the Swedish 'högskola', etc. are various higher-level educational institutions that include game programmes that focus on both the practical skills and the corresponding theory. Programmes offered by these institutions are usually 2-4 years long, and just like the upper vocational programmes geared towards specific positions in the industry - but while the focus in the vocational programmes is more or less solely on skills, the applied science programmes emphasise the need for a theoretical base as well, in order for the students to fully understand and independently continue studies in their field; e.g. programming courses at universities of applied science will educate students to not only know how to code, but also have knowledge of system development, QA, software architecture and a deeper understanding of e.g. game relevant mathematics.

These students will, however, unlike Master-level students typically not be able to create their own compiler or lead mathematical proofs.

Most educational institutions, regardless of their level, incorporate game production at least at one point during the programme, and the approach to student-driven game productions vary much from institution to institution. Some work with the industry, some let the students' creativity rule, some dictate constraints, some focus on one large production while other foster smaller but frequent productions. And some educational institutions have even taken it one step further and formed a cooperative with existing game incubators, giving student-based teams the opportunity to start their own game development companies.

Game education often plays a central role when it comes to setting up a game incubation programme. Incubators are typically relevant at an early stage of a company's lifecycle and by working closely with educational institutions, the incubators are able to approach new start-ups at a very early stage, and sometimes even when the founders are still enrolled in a game education programme. This type of collaboration (as seen and proven at e.g. Game Hub Denmark¹, The Game Incubator² and Dutch Game Garden³ in the incubator examples later in this document) can help smoothen the transition from the relatively secure and structured university environment, to running a game start-up. For this transition to work best, entrepreneurship and business topics should play a key role in the game education in order to get the students interested in establishing their own studios either while still enrolled at a game education, or immediately after. Combining this approach with the technical sides of game development will often be a very good way to get young talents to consider developing their own products for a living, rather than continuing game-development in a hobby-like fashion or as a one-off project.

It should also be mentioned that a formal game education is not a requirement for entering the game industry; many developers have a background in other fields such as business, computer science, sound, and art – and when topped up with game development specific competences, these have proved to be good starting points for many founders and/or members of startups in the game industry.

2. Game Investor Rationale

When looking at the game industry from an investor's point of view it is important to keep in mind that it is quite different from most other tech-related industries. While it has been argued that companies developing new products and solutions for commerce, digital platforms for human interaction, or software for the health sector, to name a few examples, meet the needs of the society in general, it is harder to claim that video games are being developed because the world needs more of them from a rational point of view. But games serve another important purpose by addressing some of the emotional needs that the public also seeks to be fulfilled – and the fact that almost 2.5 billion people are forecasted to have played a digital game by the end of 2019⁴ underpins that digital games play as central a role as non-digital games have previously taken in many people's lives. People are spending not only time, but also money on video games.

¹ www.gamehubdenmark.com

² www.thegameincubator.se

³ www.dutchgamegarden.nl

⁴ <https://www.statista.com/statistics/748044/number-video-gamers-world/>

And to meet that demand, new games are constantly being developed. New ideas, new platforms, and business models must constantly be explored by game developers, by producers of hard- and software, and by publishers and investors. This means that the game industry and market is constantly changing – and to keep up with these changes is one of the challenges that investors face when getting involved in the game industry. Nevertheless, investments in game studios reached no less than \$5,7 billion worldwide in 2018 – more than double the amount of the previous record from the year before.⁵ Large investments in some of major game studios in the world – e.g. Epic Games, developers of Fortnite – count for a substantial part of these investments, but indie studios and start-ups are also to a larger extent than ever on the radar of game investors who are looking to make early investments in promising studios in the hope of getting a return on their investment from a successful game and/or if the studio that once has proven itself on the market, gets sold on to another and bigger investor – or even fully acquired by a larger game studio.

Not surprisingly, all investors in the game industry (as with other industries) are primarily looking for one thing: to make as big as possible a return on their initial investment. This can be achieved through the revenue created by a single game or by owning shares in a studio that gets picked up by an even larger investor as mentioned above. Investors who are interested in younger studios essentially scout for the next big thing, and in an industry this is often described as a “hit-or-miss” investment type – meaning that the low percentage of the available games on the global market actually make enough money to recoup the costs of developing them – the investors also know that they are taking a risk when they get involved in a studio that shows potential, but has yet to prove itself on the market.

But even if many games and also investments fail, the global revenue of the game industry continues to grow on an annual basis and was in 2018 forecasted to be twice as big as that of the movie industry and the music industry combined.⁶ And this is what not only keeps the game investors going, but also attracts a growing number of other investors – ranging from business angels to venture capital funds – to look at the game industry as a potential market to invest in; the rationale being that even if you as an investor do not own a stake in the next big global hit, the market is still so huge that less can mean a healthy return on investment. And this is good news for new and soon-to-be-established game studios: investors and funding are out there – and more seems to follow.

Early stage investments in game studios – i.e. the type of companies that are typically part of an incubation program – can generally be divided into investments in a company, or in a game.

2.1 Investments in Companies

Investments in the company means that the investor – or investors – will acquire a share of the company, or as it is more commonly named in the industry, take equity in the studio. How big a share depends on a number of factors: how experienced is the team, do they have a proven track record showing that they are capable of developing and launching commercially viable or even successful titles – or just a prototype that illustrates their first game. The size of the investment in terms of money invested in the company obviously also reflects the equity that is taken by the investor.

But to get to that point, the investor needs to believe in the start-up. The game or prototype shown matters here of course, as it will demonstrate the technical, artistic and innovative competences of the core development team – but as there are many well-educated and skilled game developers out there, most investors will put even more importance on getting the right feeling about the vision and mission of the company, and on the internal team dynamics. The latter is often considered extra important in the game industry, as a complete development team consists of people with different core skills – e.g.

⁵ <https://www.digi-capital.com/news/2019/01/5-7-billion-games-investment-in-2018-doubles-previous-record/>

⁶ https://mediacdn.reuters.com/media/us/ads/ofj/JL323.462.0518_2048x1140_C2.jpg

programmers, artists, designers, business developers, etc. – and equally different educational backgrounds and potentially also approaches to game development. Thus, the investor needs to trust that the team can work together on shared goals and agree on the mission and vision of the company in the long run. And the long run is important for an investor when getting financially involved in especially younger game studios; realistically their first game is often not going to be successful – and the investor knows this. The second game is expected to do better, and an investor would therefore commit the funds necessary to develop more than one title if investing in the game studio.

2.2 Investments in Games

The other typical investment into younger game studios is in a specific game – i.e. in the intellectual property (IP). The investment will typically be based on a teaser - in the industry termed a ‘vertical slice’ - that shows the core mechanics of the game, the gameplay and the artistic style of the game. The investor will then fund a part or all of the development of the full game and in return ask for a share of the revenue it generates once launched on the market. Again, this share will depend on the amount of the investment, and on how big a percentage of the finished game will be developed on the invested funds.

This kind of investment can often be hard to attract for early-stage game studios, though. Apart from liking the game and having trust in its chances on the very competitive game market, the investor also needs to trust that the core team of the game studio can actually develop, finish, and launch a quality product. Therefore, the company should have at least one game that has performed well on the market in their portfolio when aiming for investments in their coming IP.

2.3 The Role of the Game Incubator

A game incubator can also play a role when it comes to helping incubated studios attract investments. If a start-up has been screened and eventually approved by a respected incubator, this can potentially serve as a quality stamp that the investor will notice. And better even if the incubator has developed (or at least plans to) a network of game investors that can be approached when new promising studios are accepted into the incubator, or new titles that need external funding to be completed are under development. In these cases, the incubator can take the initial approach to get the investor network interested, and then connect studio and interested investors. This also helps the investor who will have one point-of-entry to a number of potentially interesting start-ups, rather than having to scout for these in numerous locations or rely only on meeting new potential investments cases at industry events.

3. Public Funding

An alternative to private investments in game studios are publicly funded grant schemes that either fully or to some degree cater to the needs of game studios, allowing these to apply for funding for everything from development of ideas for new, innovative game concepts, to financial support for the actual production of games.

Compared to the funds available from private investors, public grant schemes typically offer smaller amounts of money. They are, however, still worth considering as they, unlike the private investments in companies or IPs described above do not require the game studio to give up a share of their company or the revenue generated by the game invested in. Instead, the public grant schemes are looking for creative content, and for supporting studios that focus on games that are not mainstream and often also include certain cultural and/or artistic components. However, some of the same requirements – first and foremost that the applicant can prove that the core development team has the competences to bring the

project to the level promised in an application – will be assessed as is the case when a game industry negotiate with or pitch to a private investor. The main difference is that a public grant scheme won't be focusing as much on how the game will perform on the market once launched, but rather on the creative content.

A list of available public grant schemes in the Baltic Sea Region would be too comprehensive to include in this document, but more information on the individual and available schemes can be found in the Baltic Game Industry report *'The Baltic Sea Region as a Game Hotspot'*⁷ or on the interactive map: <http://profile.baltic-games.eu/>.

4. Eco-Political Rationale

As mentioned above, the game industry continues to grow in terms of global market revenue, investments being made, and the number of people playing games. Furthermore, it has gradually become easier for aspiring game studios to enter the industry during the past years as access to the right software (e.g. game engines and software used for creating 3D animations & models) has steadily become cheaper. Furthermore, the distribution of games to end users has changed significantly and is now primarily digital through online markets places such as Steam, AppStore and Google Play, whereas games used to be available only from physical retail stores.

In line with this development, and possibly even as a result of it, many new game studios have been established over the past years. With access to the necessary tools to develop and a place to launch a game no longer being a barrier for establishing a game start-up, the number of new professional studios has increased significantly. To give a couple of examples, there were almost three times as many game studios in Denmark in 2017 than ten years before⁸, and in Sweden the number of studios went up by 137% from 2012 to 2017⁹. Many of these new companies are relatively small, with a work force (or group of founders) of less than 10 persons which underlines that this development in the game industry is to a large extent driven by entrepreneurs – simply because it is now more than ever before suited for entrepreneurship. And this again confirms the need for providing industry-specific advice for new start-ups in the industry – and for building the right infrastructure for that purpose, e.g. incubators.

Game incubators, along with the above-mentioned developments in the game industry over the past decade, have been established and developed across Europe, and projects like *Baltic Game Industry*¹⁰, *Game Hub Scandinavia*¹¹ and *GameCamps*¹² suggest that more are on the way. Especially publicly funded game incubators have seen the light with countries like Sweden, Denmark, Finland and the Netherlands leading the way, based on the assumption that by investing in office spaces, mentors, business developers and close collaboration between the industry, public authorities and educational institutions, society will in general benefit in terms of taxes being paid as a result of turnover generated by sustainable companies and new jobs being created by these.

⁷ BGZ Berliner Gesellschaft für international Zusammenarbeit mbH, Sünner & Rische: 'The Baltic Sea Region as a Game Hotspot', pp. 32-59 (http://www.baltic-games.eu/files/bgi_analysis_results_sep_2018-compressed.pdf)

⁸ Danish Producers Association: Danish Content Producers in Figures 2018, p.4

⁹ Swedish Games Industry: Spelutvecklarindex 2018

¹⁰ Interreg Baltic Sea Region 2017-2020 (<http://baltic-games.eu/171/>)

¹¹ Interreg Öresund-Kattegat-Skagerrak 2015-2018 & 2019-2021 (<http://gamehubscandinavia.dk/>)

¹² Interreg Central Baltic Region 2016-2020 (<https://gamecamps.info/>)

In other words, establishing and investing in new incubators to assist the next generation of game studios in their quest for market shares, external capital, and their desire to live out the dream of running their own company makes very good sense in these years. Which brings us to some of the central topics related to doing that: how to design and finance a game incubation programme, how to attract aspiring game studios to be part of it, and how to make sure that the right advice is given.

5. Conceptual and Strategic Approach to Game Incubation

When planning a game incubator set-up, a number of topics need to be considered. Both in terms of the incubation concept in itself, how to finance the incubation programme – developing it as well as running it on a long-term basis – and the incubation process, i.e. what the program will offer to game start-ups. These topics will be elaborated below. As mentioned initially, this document cannot provide turnkey answers, but rather seeks to address relevant topics and questions that should be considered when embarking on the game incubator journey.

And when working with these topics, it is important to keep in mind that developing an incubator is different from launching an accelerator; the latter aims at moving forward a start-up who already has some experience and maybe even will be able to provide an almost finished product in a relatively short period of time, whereas an incubator deals with companies that are at an earlier stage of their lifespan, and thus need more basic mentoring, and not least more time to grow towards being sustainable or ready to participate in an acceleration programme.

5.1 Identification of Relevant Stakeholders

One salient topic to consider is the ecosystem surrounding the incubator. Identifying the most important stakeholders is important, as they might have a central role in the future development – and possible success – of the game incubator. Examples of stakeholders that are relevant in this respect are:

- **Public authorities:** These have a great influence on the development of strategic business development on local, regional and national levels. Politicians as well as administrative staff are relevant for the development of a game incubator as these have the power to suggest, decide and implement relevant public business strategies.
- **Game education institutions:** As mentioned above, these are highly relevant collaboration partners for a game incubator. Not only do they educate the talented game developers that are the target group of the incubation programme but can also prepare these developers for entrepreneurship as part of their programmes by focusing on group projects and not least tackle business relevant topics in their curricula. Building strong connections with the institutions and making sure that students are aware of the game incubation offer as early as possible has the potential to ensure a continuous flow of talent which is the core value to a game incubator.
- **Science and technology parks:** A game incubator can be built from scratch, but some of the more successful examples have been developed as part of already existing science parks that are typically found in close connection to universities. Developing a game incubation programme as

part of a science park has as a number of advantages but can also have disadvantages; on the positive side buildings, infrastructure, administrative staff, business development tools & processes and to some extent also funding are typically already in place as a starting point for the game incubation programme. However, this can also mean that the game incubator will lack the freedom to manoeuvre in an industry that on many levels is quite different from e.g. the more established ICT sector.

- **Other game incubators and accelerators:** Whether a game incubator is in the very early stage – maybe still on the idea and planning level – or has been up and running for years, learning from and benchmarking with similar programmes must never be underestimated. Thus, building a network with other game incubators – national, if possible, but otherwise international – should be of high priority, and will not only ensure ongoing input to the game incubation programme, its setup and processes, but also the potential of exchanging mentors and finding potential partners for international development projects which again can be very helpful in order to secure long term funding for the incubator.
- **Events:** Hosting as well as participating in relevant events can be a great way to expand a game incubator’s network. Regarding the latter, business-to-business events (such as Game Developers Conference, Nordic Game Conference, Digital Dragons and Game Connection) tend to attract more industry professionals and other incubators than more consumer-oriented game events. These are also events where a game incubator can expand its network when it comes to publishers, investors and potential start-ups who would be interested in joining the incubator. Hosting events – whether this is a conference, a workshop or an expo where the incubated game development teams showcase their productions - is also a great way to expand the network, and all the above-mentioned stakeholders will often be interested in participating.
- **Game community advocates:** These come in many shapes and sizes, from global associations (e.g. Independent Game Developers Association) to local networks of game developers via national game developers’ associations. Furthermore, online communities on e.g. Facebook should also be considered.

5.2 Mentors

Fundamentally, the game incubator is relevant because there are game start-ups who are in need of guidance and mentoring in order to make their company sustainable, and to grow eventually. To fulfil that need, qualified mentors are essential. In this context, mentors are defined as the business developers assigned to provide insight and guidance to the incubated startups in a professional relationship that will typically last for the entire incubation period, and potentially also beyond – compared to coaches who help entrepreneurs tackle specific challenges and will typically end their relationship with the entrepreneur after the challenges have been addressed.

Besides being able to help the start-ups – who are potentially formed by students or recent graduates – with basic start-up issues like company registration etc., it is far more essential that the mentors have a solid understanding of the game industry specifics. These include game design (what makes a game good), distribution channels of the various platforms and how to target these, game marketing, pitching to investors & publishers, and assisting the start-ups with how to structure their productions, to name a few. These skills often require mentors with a background as entrepreneur in the game industry themselves, or at least mentors who are experienced team leaders.

This leads to another important question to consider: when these mentors are identified and interested, will they then be hired as permanent staff, or only be called upon on a regular basis? The first option, which builds a closer relationship based on daily interaction between mentor and mentees is desirable, but also comes with a price in terms of full-time wages, compared to bringing in experts in the various relevant fields based on a short-term basis. The latter option can potentially work, especially in regions with a vast selection of game industry experts – typically in bigger cities with a strong game industry and community.

5.3 Location of the Game Incubator

Another practical, but nonetheless important and potentially expensive challenge to solve, is where to house the game incubator. As mentioned above, collaboration with an already up-and-running science park or more generally oriented incubation environment can be a good solution, provided that the game-related incubation activities are given the necessary freedom and funds to develop in accordance with industry specifics.

Another consideration is whether the start-ups are to pay rent for office space in the incubator, if mentoring can be provided for free, and whether it is possible for the incubator to provide office furniture, hardware, software, etc.

5.4 Attracting Start-ups

Attracting talent to the incubation programme is obviously essential. Game developers with the right entrepreneurial mindset, ideas for new games, and the necessary development skills are at the end of the day the core ingredient in every game incubator. Therefore, considering where and how to approach new start-ups should be high on the priority list when setting up a game incubator – and also when it is up and running.

As mentioned above, collaborating closely with game education institutions at university (or similar) level is highly recommended. Not only can this ensure a direct relationship with potential game start-ups, but also make it possible to start coaching these in a pre-incubation setup at a relatively early stage. Doing that can also prove helpful and save time for the incubator staff as well as the game studios, in terms of screening the latter as soon as possible, and determine whether they would be a good fit with the incubator, or if changes to e.g. the competences and size of the start-up team are required.

Direct collaboration between the incubator and game education institutions also reinforces the relevance of introducing topics related to entrepreneurship to students while they are still enrolled in the education programme, with the purpose of making them more prepared for running their own company after graduation.

Another way of scouting for talent for a game incubator is to get in touch with local or regional networks of start-ups/entrepreneurs. These might have one or more game studios who could benefit more from being enrolled in a specialised game incubation program in their ranks. And if not, them being aware of the existence of a local/regional game incubator means that they know in which direction to point such start-ups, should they be approached by newly established game studios. Local or regional science parks who typically cater to other sectors and might be approached by game studios due to their more established position, should therefore also be counted as relevant partners.

Game developer networks – such as local/regional chapters of Independent Game Developers Association (IGDA) or networks who stand on their own – are also relevant in this relation. Such networks are able to gather developers based on their interest in developing games, and is thus an obvious place to reach out to start-ups – whether these are already established, or in the making by e.g. either game development

students who are potential entrepreneurs after graduation, or by game industry professionals who might break away from their current position to follow a dream of developing their own games.

Branding the incubator in order to get the attention of potential participants is obviously also important. This includes having a website that informs about and illustrates the content and phases of the incubation programme, the requirements for applying for it etc., and if relevant the local or regional eco-system that surrounds it.

5.5 Financing a Game Incubator

One of the main issues when establishing a game incubator, and not least developing and running it in the long run, is to finance it. Staff (mentors, administration, etc.), office space, laboratories with soft- and hardware, participation in external events, external experts, fundraising, and so on, all comes with a price, and not necessarily a small one. Therefore, deciding on the incubator's main funding source is essential before starting in order to get going, and equally important is to strategically plan ahead. Thus, in this relation one fundamental decision should preferably be made as early as possible: Should the game incubator be publicly funded, privately funded or rely on income from selling services directly to start-ups. These three options will be elaborated below.

Public funding: Some of the most successful game incubators in Europe have been and still are being publicly funded. These have in most cases been started out as a public investment in building a start-up infrastructure focused on game studios, and after proving the concept by helping start-ups becoming sustainable and later successful in terms of creating new jobs and increasing tax revenues for the good of the public, further public investments have been made into the development of the incubator. These kind of investments have, if we look at game incubators that have been around for a few years or more, typically been carried out by local and/or regional authorities who have been convinced that building an infrastructure for start-ups in a booming industry that is built on creativity, innovation and at the same time new technology, is a good investment that also has the potential to attract entrepreneurs from other cities, regions, or even countries.

National funding schemes should also be considered, though these will most likely require a nation-wide collaboration with other incubators or clusters, and thus difficult to convince to invest in the development of only one game incubator. This kind of collaboration can, if possible, be carried out with other game incubators in the same country, but can also be across sectors with clusters or start-up environments that focus on e.g. healthcare, design, learning, etc.

Very relevant in terms of public funding is also to consider participation in EU projects – cf. the examples mentioned earlier in this document. The challenge of creating new jobs and promoting entrepreneurship is high on the agenda in all of the European Union's member states, and programmes that aim at working together on solving these issues across borders are available. Interregional programmes (Interreg) are especially important to consider in this respect, as they focus on collaboration in bordering areas across Europe – and also because applications for these programmes statistically stand a better chance of being approved than larger projects that are being applied for centrally in Brussels.

Important to consider before applying for an Interreg project is that every participating partner is required to contribute part of the total budget (ranging from 15-50% depending on the programme and country). It will, however, sometimes be possible to use already secured public funding from e.g. local or regional authorities to co-finance the participation in an EU project – but this depends on the individual case and funding agreements.

Applicants should also keep in mind that it can easily take 6 months or in some cases more before the EU contributions to expenses incurred during the project are received, and that a solid liquidity from the game incubator's side is thus required.

Private funding: An alternative to applying for public funding, whether it is on a local, regional, national or transnational level, is to address one or more private investors and convince these to invest in the game incubator. In practice, this will often mean that they invest in the incubators' ability to attract talented start-ups and through mentoring develop these into successful companies, just as public authorities do – but with the very important difference that the investors typically also will require an amount of ownership in the start-ups.

Also, important to keep in mind is that it might be harder to convince a private investor to back an incubator programme that allows start-ups sufficient time to go from newly established by e.g. recent game education graduates, to a sustainable company. As mentioned earlier, game incubation programmes typically take a relatively long time to complete, exactly because of the early stage nature of the incubated companies. And a private investor might want to receive a return on investment sooner, which is why acceleration programmes that cater to studios that are closer to releasing a promising game are often more interesting from a private investor's point of view.

User-funded: Finally, a game incubator can in theory also be funded by its game start-ups – through collection of rent, fees for mentoring, etc. In practice, this model would be hard to carry out, especially if the incubation programme is aimed at those who rely on the stability and patience of a long-term business development service. Considering the need for experienced and thus not cheap mentors, these expenses would be relatively high for the individual start-up – which means that not many, if any at all, would be able to finance their participation in the programme. And even if that turned out to be case, building a sustainable incubation model would be difficult; the reality is that many start-ups fail, especially in a business as competitive and flooded with hundreds of new titles across distribution platforms each day. And if they do, the incubator's source of income goes too.

Naturally, there are mixed models of the above in practice.

5.6 The Incubation Programme

Assuming a game incubator has a place, funding secured, qualified coaches and mentors, and access to talented start-ups, the last piece of the incubation puzzle is to decide on the actual content of the programme. Central to this is to address the topics that are most essential when carrying out business development with game start-ups, who to put in charge of these, and also to decide on the duration of the incubation programme.

Regarding the overall business development programme, i.e. the core of the process the incubated start-ups will go through, these can be divided into two main categories: general advice to start-ups and game industry specific topics.

General advice that are relevant for all entrepreneurs that establish their first company typically include how and where to register the company, what kind of legal entity it should be, how to pay taxes, VAT, do accounting, etc. These topics are nice to also be able to cover in-house at the game incubator, but on the other hand of such a general character that they can be covered by external advisors, and often for free, as e.g. many local authorities or business associations offer this as part of their task of promoting entrepreneurship in general.

Therefore, much more attention should be given to addressing topics that are specifically relevant for game studios during their planning and production phase, e.g. on how to do marketing, how to launch a game, how to pitch to publishers & investors. Not that these topics are game industry specific as such, as they are relevant for a lot of industries – but making sure that the advice given by mentors and coaches are taking the specific nature of the video game industry into consideration is at the end of day what separates the game incubation programme from more generally-oriented start-up environments. Advising a start-up that wants to make it in biotech and one that has an ambition to break through on a highly popular and crowded digital distribution for games such as Steam, are just two different challenges

– and even though most of the suggested topics that should be covered in a game incubation programme at first glance might also seem familiar, making them mirror the requirements and challenges of the game industry is the key challenge. And that eventually comes down to the quality of the coaches and mentors who have the possibility – and responsibility – to make the difference for the incubated start-ups.

A way of structuring the topics in a game incubation programme is to divide it into phases. This approach has over years been tested and continuously adjusted in leading Scandinavian game incubators such as The Game Incubator (Sweden) and Game Hub Denmark. The example below illustrates the three phases of the incubation programme in the Game Hub Denmark incubator, and some of the topics covered:

- Phase 1 “Establishment and maturation of company”: Development and iteration of ideas for games; Development and iteration of prototypes; Competition analysis; Business model; Sales plan and monetisation of specific games; Marketing plan; Production budget; Production plan; Vertical slice; Pitch material.
- Phase 2 “Validation and proof-of-business”: Motivation analysis (company and individual team members); Mission, Vision, Strategy for achievement; Unique Selling Points of product; Metrics to show proof-of-business; Launch plan; Investor pitch deck.
- Phase 3 “Growth/Acceleration of company”: Development of organisation; Production cycles; Customer Relations Management/Sales pipeline; Profit; Key Performance Indicators; Strategy for Growth; Human resources; Board.

Note that this is just mentioned here as an example of an up-and-running game incubation programme, and only part of the topics covered in the Game Hub Denmark incubator. This won't necessarily fit other incubation programmes, which leads to the next important point: The programme should reflect the nature of the companies that are enrolled in the incubation programme: Are they formed by students? Recent graduates? Or maybe by experienced game developers who have formed a new company after having worked in the industry earlier? Different companies have different needs – and this should be taken into serious consideration when planning an incubation programme.

This should also reflect on the duration of the incubation programme. As mentioned earlier, the incubation process for game start-ups – especially if these are established by game education graduates with no industry experience – takes time. Making a game studio sustainable is not done overnight, or even in a few months. The production of a game for a smaller team is in itself time consuming, and by adding mentoring, business development, implementation of topics such as the ones mentioned in the example above, it is recommended to reserve at least one year, and often more, for a game incubation programme that has students/recent graduates at its target group.

When working with more experienced game developers, this can possibly be reduced if the start-up's founders are familiar with at least some aspects of the business side of game development, and also possess the required project management skills to carry out the production of games from idea generation to launch. And depending of the state of such a group's game, it might be relevant for them to consider enrolling in a shorter acceleration programme instead.

5.7 Screening Applicants

Earlier in this document, access to potential start-ups has been discussed. Assuming that is in place, and applications for the incubator start to arrive, selecting those start-ups with the right potential is obviously important. In this respect, a few things are vital to consider:

The start-up team - rather than focusing on the product (the game) only, the core members of the company are what will most likely be decisive on the long run. They need good team dynamics and to have the right game development competences in place and if not, present a valid argument for how they

will strengthen the team; e.g. do they have a close network from their game education, from former development activities, or maybe a plan for how to attract funding or to hire new team members?

Also important is to get an understanding of the company's vision and mission. Why do they choose to build their own studio rather than applying for jobs in more established companies? Being entrepreneurs should always be their first choice – and not something they do because it is too difficult or time consuming to land a job. And if that's the case, where do they see their company going in the near and medium-term future? Are they ambitious – and do their competences match these ambitions? Do they have at least a basic understanding of the game industry, the market, where it's going – and why the games they want to develop fit in? These are basically the exact same questions an external investor would be looking for answers to – and as a game incubator serves the purpose of being the first step on a journey for a game start-up that very likely will involve pitching to investors at some point, it makes good sense to ask those questions when screening applicants to the incubation program.

5.8 External Experts

As mentioned above, having at least one qualified full-time business developer on the incubator staff is recommended. However, this does not exclude also making use of external mentors, assuming the game incubator is placed in a city or region with a strong game development community – especially if the mentors are expected to contribute frequently. Particularly relevant in this respect are experienced game developers, and preferably those who are or have been involved in business development activities, including sales, marketing, community building, etc. Game designers with a proven track record of successful games can also contribute to the progress of start-ups in the incubator, and at the end of the day it all comes down to which competences the full-time staff can handle themselves, and which everybody involved in the incubator can benefit from bringing in on a regular basis.

Attracting external experts with specific insights to the game industry and game development who are interested in sharing their knowledge might at first sound more difficult than it often is. One of the main things that characterises the game industry is that the people working in it do so out of passion for the one thing it all boils down to: games. This means that experienced developers often take an honest interest in new start-ups, as they have themselves also been bootstrapping, hopeful indie developers back in the day. They know it's difficult to make it, they have maybe even taken a few hits along the way, and many of these people even take pride and pleasure in giving something back to the community.

External experts are also recommended for non-game specific topics such as accounting and legal matters. Here, common regulations must be followed – and professional lawyers, accountants, bankers, etc. are the experts. Usually they are not required to make more than the occasional visit to the incubator though – e.g. do a 'health check' in the incubated companies from a financial or legal point of view.

5.9 Being International

The game industry is global. Game developers know this, and that they must develop games that have a chance of making it on markets across the world. Keeping this in mind when coaching start-ups as part of an incubation programme is obviously very important, but the incubator itself should also try to make sure to be represented at relevant industry events, in order to promote itself as well as the companies and start-ups it represents. Also, such events attract staff and/or start-ups from other incubators, people that are always highly relevant to learn from, benchmark with, and potentially also plan future collaboration with in e.g. EU projects.

Game industry events are available across Europe and the world more or less all year, and far too many to all list here. But to mention a few of the major ones:

- **Game Developers Conference**¹³ (B2B, San Francisco, USA, March): GDC attracts developers, publishers, investors, service providers and many more each spring for a week of deal making, networking and showcasing. Obviously not the cheapest place event to attend when also counting travelling and hotel costs (especially the latter goes through the roof in this particular week, so book early!) but if the budget allows it, this is the place to be.
- **Game Connection**¹⁴ (B2B, San Francisco, USA (March) & Paris, France (October): Especially relevant for smaller studios is Game Connection that markets itself as ‘The Deal Making Event’. Scheduled in accordance with GDC and Paris Games Week respectively, this event allows participants to schedule up to 60 on-site appointments with e.g. publishers and investors in just three days through its meeting platform. Again, not the cheapest event to attend – especially if you want your own booth – but it’s efficient!
- **GamesCom**¹⁵ (B2B/B2C, Cologne, Germany, August): Just like GDC, this is the place where (almost) everybody goes to! GamesCom is divided into a B2B area that is ideal for networking and meeting potential partners for collaboration whether you attend as an incubator or independent developer, and a B2C area that is open to the public and showcases a large number of new games titles from the largest game studios in the world as well as from indie developers. Access to GamesCom is substantially cheaper than most major industry events and attracted no less than 370,000 visitors in 2018 including the B2C area.

Also, worth a mention and closer look for incubators and start-ups are these relatively less pricy events:

- Berlin Games Week (Berlin, Germany, April)
- CPH Matchup (Copenhagen, Denmark, April/May)
- Casual Connect (London, UK, May)
- Nordic Game Conference (Malmö, Sweden, May)
- Digital Dragons (Kraków, Poland, May)
- Devcom (Cologne, Germany, August)
- Sweden Game Conference (Skövde, Sweden, October)
- Pocket Gamer Connects (Helsinki, Finland, October)
- Paris Games Week (Paris, France, October)
- Game Industry Conference (Poznan, Poland, October)
- GameON (Riga, Latvia, November)

¹³ <https://www.gdconf.com/>

¹⁴ <https://www.game-connection.com/>

¹⁵ <https://www.gamescom.global/>

6. Examples of European Game Incubators

- **The Game Incubator** (Skövde & Gothenburg, Sweden): Founded in 2004, The Game Incubator (TGI) is one of the first game incubators ever established, and in its 15th year still going strong as a 100% publicly funded non-profit organisation with the sole task of helping create game start-ups and expand the game industry in Sweden. Through a proven and custom-made programme, TGI incubates game entrepreneurs and their teams, equipping them with the skills needed to run a game studio and launch their first products on the global market. TGI is mainly funded by Skövde Municipality and the Västra Götaland region and participates in the Game Hub Scandinavia Interreg project. The incubator is part of Skövde Science Park, and collaborates closely with the University of Skövde, from where a substantial number of start-ups have been recruited. In its lifetime, TGI has helped more than 100 game start-ups – including Coffee Stain Studios, Stunlock Studios, Landfall Games, Pieces Interactive and the latest global success Flamebait Games - and created more than 500 new jobs in the process.

For more information: <https://www.thegameincubator.se/>

- **Dutch Game Garden** (Utrecht, Breda, Hilversum & Twente, the Netherlands): Another well-established game incubator that has been around for 10+ years is Dutch Game Garden (DGG), founded in Utrecht in 2007. Since then, DGG has expanded its service to three other Dutch cities in order to be able to collaborate closely with local game education institutions and their students across the country. DGG's mission is to create job opportunities and economic growth by supporting the Dutch games industry and promoting entrepreneurship. Besides providing studio space, events, advice & matchmaking, DGG's incubation programme is 100% publicly funded, and helps promising game start-ups by providing game business knowledge, workshops and access to an ever-expanding network of industry professionals. Well-established studios that benefitted from the incubator programme at DGG include Abbey Games, Vlambeer, RageSquid and Ronimo Games.

For more information: <https://www.dutchgamegarden.nl/>

- **Game Hub Denmark** (Grenaa, Denmark): Established in the small city of Grenaa as lab for local, aspiring game entrepreneurs from mainly the game education programmes at Dania Games in 2013, it turned into a real game incubation programme under the Game Hub Denmark brand in 2016. The brand consists of game education institutions at upper secondary and higher vocational level, the game incubator, and game innovation through participation in relevant EU projects – most notably *Baltic Game Industry* and *Game Hub Scandinavia*. Game Hub Denmark's incubation programme is 100% publicly funded by the participating education institutions, Norddjurs Municipality, the Central Denmark Region and the EU, and is at the time of writing this document expanding to other locations in Denmark such as the cities of Viborg, Aalborg and Aarhus in order to reach a larger critical mass of talented game start-ups.

For more information: <https://gamehubdenmark.com/>

- **GameBCN** (Barcelona, Spain): GameBCN runs a different set-up from the above-mentioned game incubators: the programme is shorter (5 months) but the main difference is that the incubator from the beginning has catered to teams from all over the world as long as these are willing to relocate to its offices in Barcelona for the duration of the incubation programme. This includes 90 hours of general training focused on production, marketing and business as well as specific training customised for every team, depending on their needs. The training is carried out by industry professionals, and the programme also requires the selected teams to have monthly meetings (30 hours in total) with industry experts who give them feedback about their projects and strategy. No equity is taken in the companies that are selected for the programme.

For more information: <https://gamebcn.co/>

- **Carbon Incubator** (Bucharest, Romania): Carbon Incubator caters primarily to indie developers from Eastern Europe. The incubation programme does not have a time limit, but unlike the above-mentioned programmes, Carbon Incubator asks for a revenue share of the games that are launched by companies who have participated in the programme; a company that received incubation services (office space, hardware & software equipment, mentoring, access to Carbon's network, legal & financial assistance) is required to give up revenue share of 10%. If a company moves on to the acceleration programme which includes development services, industry events participation, PR & marketing, and publishing by Carbon on app stores, the share rises to 20% - and in the event of funding (50.000 USD) the revenue share taken by Carbon is 30%.

For more information: <https://carbon-incubator.com/>

- **Helsinki Games Factory** (Helsinki, Finland): 'Farm League' is the name of the incubation programme that takes place at Helsinki Games Factory. The programme offers day-to-day support and weekly workshops with experienced professionals, master classes with industry seniors and superstars, opportunities to get revenue by doing work-for-hire, an in-house community and network of services and support, and a shared office at Helsinki Games Factory for only 50€/month. Furthermore, teams that are not able to relocate to Helsinki are offered online mentoring and master classes at an even cheaper rate (20€/month) through the 'Remote Farm' option. Both offers are eligible for game start-ups that are committed with ambitious but realistic goals, diversity, possibly previous experience in publishing games, at least one ongoing project, and a stable funding plan – and companies that are at a very early stage can apply. The programme length is tailored to the companies' needs, but a minimum of 4 months is required.

For more information: <https://www.gamesfactory.fi/home/farmleague/>

7. Terminology

Accelerator	Shares some of the characteristics with an incubator, offering professional advice and guidance to start-ups. However, the incubation period is very short and intense, as accelerators aim to turn business ideas into prototypes or products that are ready for market in a matter of months.
AppStore	A digital distribution platform for games developed for the iOS operating system.
Business Angel	Usually a high net worth individual who provides financial backing for small start-ups or entrepreneurs. Often, angel investors are found among an entrepreneur's family and friends.
Business Development	Entails tasks and processes to develop and implement growth opportunities in e.g. a game development studio.
Business Model	The product strategy which describes the game in itself, its value to consumers as well as the various design choices related to the player experience. Second, the distribution model, which describes how the company markets the game and brings it to the consumer. Third, the revenue logic, which describes how the company generates revenue and finances its operations.
Business-to-Business (B2B)	Transactions and relations between businesses, such as one involving a game developer and an investor or publisher.
Business-to-Consumer (B2C)	Refers to commerce between a business (i.e. a game studio) and an individual consumer.
Coach	Helps entrepreneurs anticipate and tackle specific industry challenges – and compared to a mentor, the coach will typically end their relationship with the entrepreneur after the challenges have been addressed.
Compiler	A piece of software that translates computer code written in one programming language (the source language) into another programming language (the target language).
Distribution Channel	A business or intermediary through which a game passes until it reaches the final buyer or the end consumer.
Equity	The shareholder equity represents the amount of money that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debt was paid off.
Game Design	The art of applying design and aesthetics to create a game for entertainment or for educational, exercise, or experimental purposes. Game design creates goals, rules and challenges to define the game.
Game Engine	A software-development environment designed for developers to build video games.
Game Incubator	A programme and space that helps new and start-up game companies to develop by providing services such as management training or office space. An incubator differs

	from science and technology parks in their dedication to start-up and early-stage companies.
Game Mechanics	Methods invoked by agents designed for interaction with the game state, thus providing gameplay.
Google Play	A digital distribution platform for games developed for the Android operating system.
Intellectual Property (IP)	Can apply to anything that can be legally owned in relation to a game – e.g. the brand, invention or design. This includes the copyright to the software and all information held on any digital format.
Level Design	A discipline of game development involving creation of video game levels —locales, stages, or missions.
Mechanics-Dynamics-Aesthetics	A formal approach to better understand games. It is considered to be the bridge between the game development and the game design.
Mentor	In an incubation context, mentors are assigned to start-ups to provide insight and guidance as an entrepreneur encounters challenges along the journey towards making the studio sustainable. A mentor-mentee relationship will typically last for the entire incubation period, and potentially also beyond.
Pre-Incubation	A programme which works with entrepreneurs who are in the very early stages of setting up their company, e.g. still enrolled at a game education.
Prototype	An early sample, model, or release of a game built to test a concept or process or to act as a thing to be replicated or learned from.
Quality Assurance	A software testing process for quality control of video games. The primary function of game testing is the discovery and documentation of software defects (aka bugs). Interactive entertainment software testing is a highly technical field requiring computing expertise, analytic competence, critical evaluation skills and endurance.
Revenue	The income that a game studio has from its normal business activities, usually from the sale of games to consumers.
Start-Up	A young company (<3 years) that intend to grow beyond the initial founders.
Steam	A digital distribution platform for purchasing and playing PC (personal computer) games.
Venture Capital Fund	Investment fund that manages the money of investors who seek private equity stakes in start-up and small- to medium-sized enterprises with strong growth potential.
Vertical Slice	A portion of a game which acts as a proof of concept for stakeholders before they agree to fund the rest. It is not the same thing as a prototype in that it is expected to look of final quality and play like the final game.
Monetisation	Typically refers to the process that a game developer or publisher can use to generate revenue from a product that is already installed on a platform. Often through in-game purchases or downloadable content.
Pitch and Pitch Deck	A speech or presentation by a game developer that is intended to persuade e.g. a publisher or investor to get involved with the studio or its IP. The pitch will typically rely on a pitch deck: a visual presentation of the product or studio that provides the audience with a quick overview.

THE PROJECT

The project 'Baltic Game Industry' (BGI) aims to foster the game industry in the Baltic Sea region - turning an ambitious game developer scene into a competitive and attractive business sector with sound innovation potential and thus making the region a game hotspot with worldwide competitiveness.

The partnership works together on framework condition improvements, on making business support services fit for the special needs of game start-ups and finally on new business opportunities for game developers in other industry sectors, such as health care. The core element is the installation of durable game incubators, programmes and schemes for game start-ups across the region.

BGI effectively combines policy and business development. Tailor-made game business support fosters a durable economic growth of this innovative industry in the whole region. The introduction of VR technologies in non-game industries contributes to boosting innovation beyond games. The common branding of the Baltic Sea region as game innovation hotspot will attract international clients, investors, creative entrepreneurs and qualified workforce.

Read more at www.baltic-games.eu

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